

ZHEJIANG CANGNAN INSTRUMENT GROUP COMPANY LIMITED

RULES OF PROCEDURE OF THE BOARD OF DIRECTORS

CHAPTER 1 GENERAL PROVISIONS

Article 1 In order to ensure the standardized operation of Zhejiang Cangnan Instrument Group Company Limited (the “Company”), improve the working efficiency as well as the scientific and legal decision-making of the board, and safeguard the interests of the Company and the legitimate rights and interests of shareholders, the Rules of Procedure are formulated in accordance with the Company Law of the People’s Republic of China (hereinafter referred to as the “Company Law”), the Securities Law of the People’s Republic of China, the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and other laws, regulations, rules and normative documents as well as the relevant provisions of the Articles of Association of Zhejiang Cangnan Instrument Group Company Limited (the “Articles of Association”).

CHAPTER 2 DIRECTORS

Article 2 Directors shall be elected or replaced at the shareholders’ general meeting. The term of office of the directors shall be three(3) years. Upon maturity of the current term of office, a director shall be eligible to offer himself for re-election and reappointment, unless otherwise provided in relevant laws, regulations, the Articles of Association and the listing rules of the stock exchange on which the shares of the Company are listed.

The term of office of a director shall start from the date on which the said director takes office to the expiry of the current session of the board. In the event that the term of office of a director expires but re-election is not made responsively, the said director shall continue fulfilling the duties as a director pursuant to relevant laws, administrative regulations, departmental rules and the Articles of Association until a new director is elected and appointed.

Any person appointed by the board to fill a casual vacancy of the board or to be an additional director shall hold office till the next annual general meeting of the issuer and shall be eligible for re-election.

A director’ s post may be assumed by the general manager or other senior management officer(s), but the sum of the total number of directors who also assume the duties of the general manager or other senior management officer(s) and the number of staff representative directors, shall not exceed one half of the total number of directors of the Company.

Directors shall not be required to hold shares of the Company.

Article 3 Directors shall jointly and severally perform fiduciary duties and due skills, and act prudently and diligently in compliance with, among others, the standards provided by the Laws of Hong Kong while fulfilling the said duties. That is, each director must, in performing his/her duties as a director:

- (I) act honestly and in good faith in the interests of the Company as a whole;
- (II) act for appropriate purposes;
- (III) be liable for the listed issuer in relation to the use or abuse of its assets;
- (IV) avoid actual and potential conflicts between interest and position;
- (V) fully and fairly disclose his/her interests in the contract with the listed issuer; and

(VI) act with due skill, prudence and diligence to the extent that a person with the same expertise and experience who holds the directorship of the listed issuer is reasonably expected to act.

Article 4 A written notice to be delivered to the Company stating the intention to nominate a candidate for the position of director and the candidate's consent to be nominated in writing shall be delivered to the Company at least seven days in advance. The aforesaid period shall commence no earlier than the first day after the notice for convening the general meeting is given, and ends no later than seven(7) days before the date of such general meeting.

The shareholders' general meeting may remove a director before expiration of his/her term by an ordinary resolution in accordance with relevant laws, administrative regulations and the Listing Rules. However, any claim which may be raised by the director in accordance with any contract will not be affected by the removal.

Article 5 A director who fails to attend two consecutive meetings of the board of directors in person or by proxy shall be deemed as unable to perform his/her duties. The board of directors shall propose to the shareholders' general meeting for removal of such director.

Article 6 A director may resign before expiry of his/her term of service. When a director resigns, he/she shall submit a written resignation notice to the board of directors. The board of directors shall make relevant disclosure within two(2) days.

In the event that the number of directors falls below the minimum statutory requirement due to a director's resignation, the former director shall still perform his/her duties as a director in accordance with the requirements of laws, administrative regulations, departmental rules and the Articles of Association prior to the appointment of the re-elected director. The resignation report of such director shall become effective only when his/her vacancy has been filled by a new director.

Save for the circumstances referred to in the preceding paragraph, the director's resignation takes effect upon delivery of his/her resignation report to the board of directors.

Article 7 When a director's resignation comes into effect or his/her term of service expires, the director shall complete all transfer procedures with the board of directors. His/her fiduciary duties towards the Company and the shareholders do not necessarily cease within two(2) years after the end of his/her term of service. Their duty of confidence in relation to trade secrets of the Company survives their resignation or termination of tenure until such trade secrets become public information. The continuance of other duties shall be determined on a fair basis depending on the time lapse between the termination of tenure and the occurrence of the event concerned and the circumstances under which the relationships between them and the Company are terminated.

Article 8 No directors shall act, in their personal capacity, on behalf of the Company or the board in contravention of provisions of the Articles of Association or without appropriate authorisation by the board. A director shall, when acting in his/her personal capacity, state his/her standings and identities in advance if a third party has reasons to believe that the said director is acting on behalf of the Company or the board.

Article 9 A director shall be personally liable for any loss suffered by the Company as a result of a violation by him/her of any laws, administrative regulations, departmental rules or the Articles of Association in the course of performing his/her duties.

CHAPTER 3 INDEPENDENT NON-EXECUTIVE DIRECTORS

Article 10 The Company has independent non-executive directors. Independent non-executive directors refer to directors who do not take up any position in the Company other than serving as directors and do not have any connection with the Company and its substantial shareholders (substantial shareholders refer to shareholders who individually or jointly hold not less than 5% of total voting shares of the Company) that is likely to affect their independent and objective judgment in compliance with the independent requirements of the listing rules of the stock exchange where the shares of the Company are listed.

Unless otherwise specified in this chapter, the qualifications and obligations of independent non-executive directors shall be subject to the relevant provisions of Chapter 5 of the Articles of Association. An independent non-executive director shall meet the following basic conditions:

(I) possessing the qualifications as a director of a listed company according to the laws, administrative regulations, the listing rules of the stock exchange on which the shares of the Company are listed and other related regulations;

(II) performing duties independently, not being affected by the substantial shareholders and de facto controllers of the Company, or other entities or individuals who may be interested in the Company;

(III) having the basic knowledge about operations of listed companies, and proficient in relevant laws, administrative regulations, regulations and rules;

(IV) having not less than five(5) years' experience in legal and economic work or other work required for fulfilling duties as an independent non-executive director;

(V) ensuring that he/she has sufficient time and energy to effectively perform his/her duties and promise to abide by practical obligations and fulfill duties diligently;

(VI) in compliance with the requirements regarding the qualifications for serving as independent non-executive directors under the Listing Rules.

Article 11 There should be at least 3 independent non-executive directors in the board of directors accounting for at least one third of the board members, which shall include at least one financial or accounting professional recognized under the Listing Rules. In case that an independent non-executive director does not meet the requirement of independence or otherwise is not suitable for performing the duties as an independent non-executive director, resulting in the number of independent non-executive directors of the Company falling below the number required by the Articles of Association, the Company shall supplement the number of independent non-executive directors as required.

At least one independent non-executive director of the Company must reside in Hong Kong.

Article 12 Independent non-executive directors shall be appointed for a term same as that for other directors of the Company, which is renewable upon reelection, but in any case not exceeding a total of nine(9) years, unless otherwise provided in relevant laws, regulations and the listing rules of the stock exchange on which the shares of the Company are listed.

An independent non-executive director shall not be dismissed without a justifiable reason prior to the expiry of his/her term of office. When an independent non-executive director is dismissed prior to the expiry of his/her term of office, the Company shall disclose the dismissal as a special discloseable matter. The dismissed independent non-executive director may make a public statement if he/she considers that his/her dismissal by the Company is unjustifiable.

Independent non-executive directors have the following special powers in addition to the powers conferred on the directors by the Company Law, other laws, regulations, the listing rules of the stock exchange where the shares of the Company are listed and the Articles of Association:

(I) major connected transactions (as determined by the standards promulgated by regulatory authorities at the place of listing from time to time) shall be approved by independent non-executive directors before being submitted to the board for discussion. Independent non-executive directors may engage intermediaries to issue an independent financial advisor's report as a reference before making a judgment. The costs so incurred shall be borne by the Company;

(II) proposing to the board with respect to the engagement or dismissal of accounting firms;

(III) proposing to the board with respect to the holding of extraordinary general meetings;

(IV) proposing the holding of board meetings;

(V) engaging external auditing and consultancy firms with respect to the auditing and consulting of specific matters of the Company. The costs so incurred shall be borne by the Company;

(VI) openly soliciting voting rights prior to shareholders' general meetings.

Independent non-executive directors shall obtain not less than half of all independent non-executive directors' consent to exercise the above-mentioned powers. In the event that the above proposal is not adopted or the above powers cannot be normally exercised, the Company shall disclose the relevant information.

Independent non-executive directors shall perform their duties in accordance with the relevant provisions of laws, administrative regulations and rules as well as departmental rules.

Article 13 The Company formulates the working system of independent non-executive directors, which specifies the qualifications, nomination, election and replacement, rights and obligations, legal responsibilities, etc. of independent non-executive directors.

Article 14 For matters concerning independent non-executive directors that are not provided for in this chapter, the relevant laws, regulations and the listing rules of the stock exchange on which the shares of the Company are listed shall prevail.

CHAPTER 4 THE BOARD OF DIRECTORS

Article 15 The Company shall establish a board of directors which reports to the shareholders' general meeting.

Article 16 The board of directors comprises 14 directors, including 5 independent non-executive directors.

The board has one chairman, and the general meeting may decide whether and how to appoint a vice chairman by ordinary resolutions (provisions concerning a vice chairman are applicable only in the case of appointing a vice chairman, the same below).

The chairman and vice chairman shall be elected and removed by more than one-half of all directors. The term of office shall be three(3) years, renewable upon re-election.

Article 17 The board exercises the following powers:

(I) to convene shareholders' general meetings and report its work to the shareholders' general meeting;

(II) to implement the resolutions of shareholders' general meetings;

(III) to decide on the Company's business plans and investment plans;

(IV) to formulate the Company's plans on annual financial budgets and final accounts, and determine the major changes and adjustments during implementation;

(V) to formulate the Company's profit distribution plans and plans on making up losses;

(VI) to formulate proposals for the increase or reduction of the registered capital of the Company and for the issuance and listing of bonds or other securities;

(VII) to formulate plans for merger, division, dissolution or change in the form of the Company;

(VIII) to formulate plans for any substantial acquisition by the Company and repurchase of the shares of the Company;

(IX) to decide, as authorized by the shareholders' general meetings, on matters relating to the Company's external investment, acquisitions or disposal of assets, mortgage of assets, entrusted wealth management and connected transactions except for matters subject to the decision of the shareholders' general meetings;

(X) to make decisions on the establishment of the Company's internal management bodies;

(XI) to decide on the establishment of special committees of the board, and to appoint or dismiss the chairman (convener) of each special committee of the board;

(XII) to appoint or dismiss the Company's general manager, the secretary to the board as well as the company secretary and, based on the nomination by the general manager, to appoint or dismiss deputy general managers, Chief Financial Officer and other senior management officer(s) of the Company and to determine their remuneration, incentives and punishments;

(XIII) to formulate the basic management system of the Company;

(XIV) to formulate proposals for amendments to the Articles of Association;

(XV) to formulate the Company's share incentive plans;

(XVI) to manage information disclosure of the Company;

(XVII) to propose to the general meeting to appoint or change the accounting firm that provides auditing services for the Company;

(XVIII) to listen to the work report and inspect the work of the general manager;

(XIX) to review and monitor the Company's policies and practices in complying with legal and regulatory requirements;

(XX) to review and monitor the training and continuous professional development of directors, supervisors and senior management;

(XXI) to review the Company's compliance with the Corporate Governance Code as set out in the Listing Rules and the disclosure in its corporate governance report;

(XXII) to decide on major matters and administrative affairs other than those which shall be decided by the general meeting of the Company in accordance with laws, administrative regulations, rules of competent departments and the Articles of Association, and to sign other important agreements;

(XXIII) other functions and powers provided by laws, administrative regulations, departmental rules, the listing rules of the stock exchange on which the shares of the Company are listed, the Articles of Association and the shareholders' general meeting.

In case that any of the above-mentioned functions and powers exercised by the board or any transaction or arrangement of the Company falls to be considered by the general meeting pursuant to the listing rules of the stock exchange where the Company's shares are listed, it shall be submitted to the general meeting for consideration.

In respect of the board's resolutions relating to matters specified above, except for items (VI), (VII), (VIII) and (XIV) which shall be passed by not less than two-thirds of all directors, the remaining resolutions may be passed by more than half of all directors.

The board of the Company shall explain to the shareholders' general meeting when a registered accounting firm issues a non-standard audit opinion regarding the Company's financial report.

Article 18 In cases where the expected value of fixed assets proposed for disposal by the board, when aggregated with value of fixed assets disposed within four(4) months before the proposed disposal, exceeds 33% of the fixed assets value set out in the latest balance sheet considered by the shareholders' general meetings, the board shall not dispose or consent to dispose such fixed assets without prior approval by the shareholders' general meeting.

The term "fixed assets disposal" referred to in this article represents (among other things) transferring certain interests in assets, but not including provision of guarantees by way of fixed assets. The validity of transactions regarding fixed assets disposal by the Company shall not be affected due to a breach of the first paragraph of this article.

Article 19 The chairman of the board is entitled to the following powers:

(I) to preside over shareholders' general meetings and to convene and preside over board meetings;

(II) to supervise and check on the implementation of resolutions of the board;

(III) to execute the Company's stocks, bonds and other securities issued by the Company;

(IV) to organize and formulate various systems for and coordinate the operation of the board;

(V) to execute important documents of the board and, on behalf of the Company, execute important documents that are legally binding;

(VI) to exercise the functions and powers of a legal representative;

(VII) to nominate the secretary to the board as well as members and chairmen of the special committees of the board;

(VIII) to listen to the regular or irregular work reports of the Company's senior management and give guidance on the implementation of the resolutions of the board;

(IX) to exercise special power of disposal on the matters of the Company in line with laws and the Company's interests in the event of an emergency of force majeure such as a major natural disaster, and report to the board and general meeting afterwards;

(X) to exercise other powers as conferred by laws, administrative regulations, departmental rules, the Articles of Association and the board.

The vice chairman of the Company shall assist the chairman in his/her work. Should the chairman be unable or fail to exercise his/her duties or powers, the vice chairman shall exercise such duties or powers (where the Company has two or more vice chairmen, the vice chairman jointly recommended by not less than a half of the directors shall perform such duties or powers); in the case that the Company has no vice chairman or the vice chairman is unable or fails to perform the said duties, a director elected by not less than a half of the directors shall exercise such duties or powers.

Article 20 Meetings of the board of directors shall be classified into the regular meetings of the board of directors and extraordinary meetings of the board of directors.

Regular meetings of the board shall be convened at least twice every year. The meetings shall be convened by the chairman of the board of directors by serving notices and relevant documents to all directors and supervisors ten(10) days prior to the date of meeting. Regular meetings of the board do not include acquisition of the approval of the board by circulating written resolutions.

An extraordinary board meeting shall be convened at the request of the chairman, shareholders representing one-tenth or more of the voting rights, one-third or more of the directors, the supervisory committee and the general manager. The chairman of the board of directors shall convene and chair the extraordinary board meeting within ten(10) days upon receipt of such request. A written notice shall be delivered to all directors and supervisors at least five(5) days prior to the date of such meeting.

In case of emergency, with the approval of the chairman, the convening of the extraordinary board meeting shall not be limited by the notice period of this article, provided that reasonable notice shall be given to the directors, supervisors and the general manager.

Board meetings can be held by means of telephone conference, video conference, circulation of documents, fax and other means of communication on the premise that the directors can fully express their opinions. All directors so present at the meeting shall be deemed to have attended the meeting in person. For board meetings held by means of communication, notices of such meetings shall provide details of the proposals to be put forward at the meetings and specify the deadline for voting. Directors who attend such meetings shall send their voting opinions to the Company by fax before the voting deadline specified in the notices, and send the original of voting opinions signed by themselves to the board of the Company.

Where any substantial shareholder or director has a material conflict of interest in the matters to be considered by the board, such matters shall be handled by convening a board meeting (instead of by a written resolution). Any independent non-executive director and its associates not materially interested in a transaction shall attend the relevant board meeting.

Article 21 A notice of board meeting may be sent in any manner stated in Article 207 and Article 210 of the Articles of Association.

Article 22 A notice of board meeting shall be deemed to have sent to a director if he/she is present at the meeting and does not raise any objection for not receiving such notice before or at the meeting.

Article 23 A notice of board meeting shall be in written form, including (among others):

- (I) the date, time and place of the meeting;
- (II) the duration of the meeting;
- (III) the topics to be considered;
- (IV) the date when the notice is served;
- (V) the contact person and contact information.

Article 24 For material matters to be decided by the board of the Company, sufficient data shall be provided for the directors, and the directors may request supplementary materials. Where not less than one-fourth of the directors or not less than two external directors (i.e. directors who do not take up any position in the Company) think that the information is insufficient or the argument is not clear, they may jointly propose to postpone the board meeting or certain matters to be discussed by the board, which shall be accepted by the board.

Article 25 Directors shall exercise their powers by holding board meetings. Meeting of the board of directors shall be held only when more than half of the directors (including proxies) attend the meeting.

A director shall have one vote when voting on a resolution of the board of directors. Each director shall have one vote. In the case of an equality of negative votes and affirmative votes, the chairman of the board of directors shall be entitled to one additional vote.

Article 26 Directors shall attend meetings of the board of directors in person. Where a director is unable to attend a meeting of the board of directors, he/she may authorize in writing another director to attend on his/her behalf. A power of attorney shall indicate the name of the proxy, matters of entrustment, the scope of authorization and its valid term, and shall be signed and sealed by the appointer.

The appointed director who attends the meeting shall exercise a director's duties as authorized. If a director fails to attend a meeting of the board of directors in person and fails to appoint a representative to attend the meeting, he/she shall be deemed to have waived his/her voting rights at the meeting.

The reasonable expenses incurred by the directors to attend board meetings shall be paid by the Company. Such expenses include the transportation expenses from the place where the directors are located to the place of the meeting (if not the place where the directors are located), the accommodation expenses during the meeting and the local transportation expenses.

Article 27 Where a director is connected to the enterprise involved in the matters to be resolved at the board meeting, he/she shall not exercise the voting right on the resolution, nor shall he/she exercise the voting right on behalf of other directors. The board meeting can be held with the attendance of more than half of the non-connected directors. The resolutions of the board meeting shall be passed by more than half of the non-connected directors. Where the number of non-connected directors attending a board meeting is less than three(3), such matter shall be submitted to the general meeting for deliberation.

Article 28 Resolutions of the board shall be voted by open ballot.

Article 29 The board shall keep minutes of resolutions on matters discussed at relevant meetings. The minutes shall be signed by the directors and the person who recorded the minutes present at such meetings.

Directors shall be liable for the resolutions of the board. If a resolution of the board violates laws, administrative regulations or the Articles of Association, causing serious losses to the Company, the directors who voted for the resolution shall be liable to the Company; if it can be proved that a director voted against the resolution expressly when the resolution was voted on, such director shall be waived from such liability.

The minutes of board meetings shall be kept as the documents of the Company with a custody period of not less than ten(10) years.

Article 30 The minutes of board meetings shall include the following:

- (I) the date, place and name of convener of the meeting;
- (II) the names of the directors present and the directors (proxies) entrusted by others to attend the board meeting;
- (III) the agenda of the meeting;
- (IV) key points of directors' speech;
- (V) the method of voting and result of each resolution (the voting results shall indicate the number of votes for, against or abstaining from a resolution).

Directors present at such meeting are entitled to have their speeches at the meeting descriptively recorded in the minutes.

CHAPTER 5 SECRETARY TO THE BOARD OF DIRECTORS

Article 31 The Company has one secretary to the board of directors, who is a senior management officer of the Company.

Article 32 The secretary to the Company's board of directors shall be a natural person with the requisite professional knowledge and experience, and shall be appointed by the board of directors.

Primary responsibilities of a secretary to the board are:

- (I) to ensure that the Company has complete organizational documents and records;
- (II) to ensure that the Company prepares and delivers the reports and documents required by the relevant authorities in accordance with the laws;
- (III) to establish and keep the Company's register of members, register of directors, supervisors and senior management, as well as information on the holding of the Company's shares by controlling shareholders, directors, supervisors and senior management, and to ensure that persons entitled to access to the relevant records and documents are furnished with such records and documents in a timely manner;
- (IV) to prepare for board meetings and general meetings, record the minutes of such meetings and keep the relevant documents and minutes;
- (V) to prepare and submit the reports and documents issued by the board and the general meeting as required by relevant departments of the state;
- (VI) other duties specified in laws, administrative regulations, departmental rules or the Articles of Association.

Article 33 Directors or other senior management officer(s) of the Company may also act as the secretary to the board. The accountant(s) of the accounting firm appointed by the Company shall not act as the secretary to the board.

Where the office of the secretary to the board is held concurrently by a director, and an act is required to be made by a director and the secretary to the board separately, the person who concurrently holds the offices of director and secretary to the board shall not perform the act in dual capacity.

The Company's directors, general manager and relevant departments within the Company shall support the secretary to the board in performing his/her duties in accordance with laws, and provide necessary guarantees in terms of organizational structure, staffing and funds. All relevant departments of the Company shall actively cooperate with the secretary to the board.

CHAPTER 6 SUPPLEMENTARY PROVISIONS

Article 34 The figure itself shall be included if the Rules refer to any such words as "not less than"; the figure itself shall not be included if the Rules refer to any such words as "less than", "more than" or "exceed".

Article 35 The Rules of Procedure are formulated by the board as an appendix to the Articles of Association, and shall become effective upon approval by the general meeting from the date when the overseas listed foreign shares issued by the Company are listed and traded on The Stock Exchange of Hong Kong Limited. Amendments to the Rules of Procedure shall be proposed by the board and shall take effect after being approved by more than half of the shareholders attending the general meeting.

Article 36 Matters not specified in the Rules of Procedure shall be implemented in accordance with relevant laws and regulations, listing rules of the stock exchange where the Company's shares are listed and the Articles of Association. In case of any conflict between the Rules of Procedure and relevant laws and regulations, the Listing Rules and other relevant regulatory rules of the listing place or the Articles of Association, the relevant laws and regulations, the Listing Rules and other relevant regulatory rules of the listing place and the Articles of Association shall prevail, and the Rules of Procedure shall be amended accordingly as soon as practical for approval by more than half of the shareholders attending the general meeting.

Article 37 Unless otherwise stated, the terms used herein shall have the same meaning as those defined in the Articles of Association.

Article 38 The Rules of Procedures are subject to interpretation by the board of the Company as authorized by the general meeting.